

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY)	
d/b/a AMERICAN ELECTRIC POWER TO ASSESS)	
A SURCHARGE UNDER KRS 278.183 TO)	
RECOVER COSTS OF COMPLIANCE WITH THE)	CASE NO. 96-489
CLEAN AIR ACT AND THOSE ENVIRONMENTAL)	
REQUIREMENTS WHICH APPLY TO COAL)	
COMBUSTION WASTE AND BY-PRODUCTS)	

O R D E R

On May 27, 1997, the Commission approved a modified compliance plan and environmental surcharge for the Kentucky Power Company, d/b/a American Electric Power ("Kentucky Power"). Pursuant to that Order, and the Commission's Order of June 20, 1997, Kentucky Power filed its revised tariffs with the Commission on June 27, 1997. In addition, Kentucky Power filed on that date the amount of its monthly surcharge to be charged during July 1997, along with supporting data. The amount of the July 1997 surcharge was intended to recover Kentucky Power's qualifying environmental compliance costs incurred in the months of March, April, and May 1997. Specifically, Kentucky Power indicated that it would include a negative environmental surcharge factor of .2689 percent on customer bills on and after July 7, 1997.

KRS 278.183 contains two specific requirements concerning the expense period to be included in a monthly surcharge filing and the timing of that filing. KRS 278.183(2) states that:

Recovery of costs pursuant to subsection (1) of this
section that are not already included in existing rates shall be

by environmental surcharge to existing rates imposed as a positive or negative adjustment to customer bills in the second month following the month in which costs are incurred. (emphasis added)

Rather than limiting its surcharge recovery to one expense month, the surcharge calculations submitted by Kentucky Power cover three expense months. Under KRS 278.183(2), the March and April expense months could only have been billed to customers in May and June, respectively. Only the May expense month can be billed to customers in July.

Based upon a review of Kentucky Power's surcharge calculation filing, the Commission must reject the inclusion of the March and April 1997 expense months in the surcharge factor credit to be billed in July 1997. Kentucky Power submitted Commission prescribed documentation which shows the environmental surcharge billing factor for the expense month of May 1997 to be a negative .114 percent. The Commission has determined that Kentucky Power should be allowed to bill the negative surcharge factor of .114 percent to customer bills on and after July 7, 1997.

KRS 278.183(3) provides that the monthly surcharge be filed with the Commission 10 days before it is scheduled to go into effect, along with all supporting documentation required by the Commission. As Kentucky Power has indicated the surcharge factor would not be applied to customer bills prior to July 7, 1997, it is in compliance with KRS 278.183(3).

While the Commission will permit Kentucky Power to reflect the negative .114 percent surcharge factor on its customer bills on and after July 7, 1997, the Commission's review of the filing also indicates that there is a significant discrepancy in

the number of emission allowances Kentucky Power has indicated in its current inventory and the levels documented in this case record. The Commission will examine this discrepancy further at a later date.

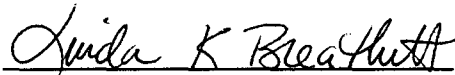
IT IS THEREFORE ORDERED that:

1. Kentucky Power's proposed negative environmental surcharge factor of .2689 percent, to be included on customer bills on and after July 7, 1997, is denied.


2. Kentucky Power's negative environmental surcharge factor for the expense month of May 1997 of .114 percent is approved for inclusion on customer bills on and after July 7, 1997.

Done at Frankfort, Kentucky, this 3rd day of July, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director